LITTLEFIELD CORP
Form 10QSB
May 15, 2007

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

(Mark one)
[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal quarter ended March 31, 2007

OR

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission file No. 0-24805

Littlefield Corporation
(Exact name of small business issuer as specified in its charter)

Delaware	74-2723809
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2501 North Lamar Blvd., Austin TX 78705
(Address of principal executive offices)

(512) 476-5141
(Issuer's telephone number)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
YES [X] NO [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
YES [ ] NO [X]

As of March 31, 2007, the Issuer had 11,217,941 shares of its Common Stock, par value $0.001 per share outstanding.

Transitional Small Business Disclosure Format: YES [ ] NO [X]

Littlefield Corporation

FORM 10-QSB

For the quarter ended March 31, 2007

INDEX

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Littlefield Corporation
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

Three Months Ended March 31,	
REVENUES:	
Entertainment	
Hospitality	
Other	
TOTAL REVENUES	

DIRECT COSTS AND EXPENSES:
Direct salaries and other compensation
Rent and utilities
Other direct operating costs
Depreciation and amortization
License expense

TOTAL COSTS AND EXPENSES

GROSS MARGIN

GENERAL AND ADMINISTRATIVE EXPENSES:
Salaries and other compensation
Legal and accounting fees
Depreciation and amortization
Stock-based compensation expense
Other general and administrative

TOTAL GENERAL AND ADMINISTRATIVE EXPENSES

OPERATING INCOME

OTHER INCOME (EXPENSE):
Interest and investment income
Interest expense ($5,063 and $7,877 respectively to related parties)
Gain(loss) on fixed asset sales
Other income

TOTAL OTHER INCOME (EXPENSE)

NET INCOME BEFORE PROVISION FOR INCOME TAXES

PROVISION FOR INCOME TAXES

NET INCOME

OTHER COMPREHENSIVE INCOME

NET COMPREHENSIVE INCOME

See notes to consolidated financial statements.

2

Littlefield Corporation
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

Three Months Ended March 31, 2007,

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EARNINGS PER SHARE:
Basic earnings per share $
==

Diluted earnings per share	$
	==
Weighted average shares outstanding - basic	1
	==
Weighted average shares outstanding - diluted	1
	==

See notes to consolidated financial statements.

3

Littlefield Corporation
CONSOLIDATED BALANCE SHEET (Unaudited)

ASSETS

Current Assets:	
	--
Cash and cash equivalents	$
Accounts receivable, net of allowance for doubtful accounts of $166,900	
Equity Securities, available for sale	
Restricted Cash	
Other prepaid expenses and current assets	
Note receivable	
	--
Total Current Assets	
	--
Property and Equipment - at cost, net of accumulated depreciation and amortization	
Other Assets:	
Goodwill	
Intangible assets, net	
Other non-current assets	
	--
Total Other Assets	
	--
TOTAL ASSETS	$
	==

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:	
Long term debt, current portion	
Long term debt, legal settlements, current portion	
Trade accounts payable	
Accrued expenses	
Other current liabilities - related party	
	--
Total Current Liabilities	

Long-term Liabilities:
Long term debt, net of current portion
Long term debt, legal settlements, net of current portion
Long term debt-related party

Total Long-term Liabilities

Total Liabilities

Stockholders' Equity:
Common stock, $0.001 par value, (authorized 20,000,000 shares, issued 12,344,139 shares, outstanding 11,217,941 shares)
Additional paid-in-capital
Treasury stock - 1,126,198 shares, at cost
Accumulated Comprehensive Income
Accumulated deficit

Total Stockholders' Equity

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY $

See notes to consolidated financial statements.

4

Littlefield Corporation
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

Three months Ended March 31,

CASH FLOWS FROM OPERATING ACTIVITIES:
Net income
Adjustments to reconcile net income to net cash provided by operating activities:
Depreciation and amortization
Stock based compensation expense
Increase (decrease) in cash flows as a result of changes in asset and liability account balances:
Accounts receivable
Other assets and licenses
Trade accounts payable
Accrued expenses and other current liabilities

NET CASH PROVIDED BY OPERATING ACTIVITIES

CASH FLOWS FROM INVESTING ACTIVITIES:
Property and equipment expenditures
Proceeds from collection of Note Receivable

NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES

CASH FLOWS FROM FINANCING ACTIVITIES:
Payments on capital lease obligations
Payments on notes payable and legal settlement obligations
Proceeds from issued shares
Collections of Subscription receivable
Proceeds from options exercised

NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES

NET INCREASE IN CASH

CASH AT BEGINNING OF PERIOD

CASH AT END OF PERIOD

See notes to consolidated financial statements.

Littlefield Corporation
CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

Three months Ended March 31,

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash payments:

Interest

Income taxes

Non-cash transactions:

Issuance of treasury stock for deferred compensation and 401K plan

See notes to consolidated financial statements.

Littlefield Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

March 31, 2007

NOTE 1 - PRINCIPLES OF CONSOLIDATION AND BASIS OF PRESENTATION.

The unaudited consolidated financial statements include the accounts of Littlefield Corporation and its wholly owned subsidiaries (the "Company"). The financial statements contained herein are unaudited and, in the opinion of management, contain all adjustments necessary for a fair presentation of financial position, results of operations and cash flows for the periods presented. The preparation of the condensed consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities and the reported amount of revenue and expenses during the reported period. Actual results could differ from these estimates. Where appropriate, items within the consolidated condensed financial statements have been reclassified to maintain consistency and comparability for all periods presented.

The operating results for the three-month period ended March 31, 2007 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2007. Except for historical information contained herein, certain matters set forth in this report are forward looking statements that are subject to substantial risks and uncertainties, including the impact of government regulation and taxation, customer attendance and spending, competition, and general economic conditions, among others. This Quarterly Report on Form 10-QSB contains "forward-looking" statements as such term is defined in the Private Securities Litigation Reform Act of 1995 and information relating to the Company and its subsidiaries that are based on the beliefs of the Company's management. When used in this report, the words "anticipate," "believe," "estimate," "expect," and "intend" and words or phrases of similar import, as they relate to the Company or its subsidiaries or Company management, are intended to identify forward-looking statements. Such statements reflect the current risks, uncertainties and assumptions related to certain factors including, without limitations, competitive factors, general economic conditions, customer relations, relationships with vendors, the interest rate environment, governmental regulation and supervision, seasonality, distribution networks, product introductions and acceptance, technological change, changes in industry practices, onetime events and other factors described herein and in other filings made by the company with the Securities and Exchange Commission, based upon changing conditions, should any one or more of these risks or uncertainties materialize, or should any underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected or intended. The Company does not intend to update these forward-looking statements.

NOTE 2 - RESTATEMENT.

In July 2006, we identified certain errors that had resulted in misstatements of previously reported stock option expenses. In July 2006 management and the Audit Committee of the Board of Directors concluded that we would amend our previously filed Form 10-QSB for the quarter ended March 31, 2006 to correct our reported stock option expenses. In August 2006 management and the Audit Committee of the Board of Directors concluded that we would also amend our previously filed 2005 Form 10-KSB and Forms 10-QSB for quarters ending March 31, 2005, June 30, 2005 and September 30, 2005 to correct our reported stock options expenses. This change was required to reflect modifications made to extend the termination dates of stock option agreements for four non-executive employees and to record a stock subscription receivable in 2005. Accordingly, our financial statements for 2005 and the first quarter of 2006 were amended.

The restated financial statements for the first quarter of 2006 are contained in Amendment No. 1 to the Company's report on Form 10-QSB/A for the period ended March 31, 2006, filed with the SEC on August 22, 2006. The Company filed Amendment No. 1 to its 2005 financial statements on Form 10-KSB/A on August 31, 2006. References in this 10-QSB to our operations, assets, liabilities and cash flows for the first quarter 2006 include the previously reported revisions to financial information for the period ended March 31, 2006.

7

Littlefield Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
March 31, 2007

NOTE 3 - PROPERTY AND EQUIPMENT.

Property and equipment at March 31, 2007 consists of the following:

Land	$ 742,843
Buildings	3,274,925
Leasehold improvements	3,918,836
Rental inventory and bingo equipment	1,799,609
Equipment, furniture and fixtures	2,409,256
Automobiles	451,433
	12,596,902
Less: Accumulated depreciation and amortization	(6,591,508
Property and equipment, net	$ 6,005,394

Total depreciation expense, for owned and leased assets, charged to operations for the three months ended March 31, 2007 and 2006 was approximately $177,300 and $182,000 respectively.

NOTE 4 - GOODWILL & OTHER INTANGIBLE ASSETS.

Goodwill at March 31, 2007 is as follows:

	Gross Carrying Amount
Goodwill	$ 6,704,375
	Entertainment

Balance at December 31, 2006	$ 4,533,727
Goodwill acquired during the year	---
Impairment losses	---
Goodwill disposed during the year	---
Balance at March 31, 2007	$ 4,533,727

Intangible assets at March 31, 2007 consists of the following:

	Gross Carrying Amount
Intangible Assets with Indefinite Lives:	
Bingo licenses	$589,719
Intangible Assets with Finite Lives:	
Covenants not to compete	$297,500
Intangible Assets, Net of Accumulated Amortization	

Amortization expense charged to operations for the three months ended March 31, 2007 and 2006 was approximately $7,400 and $6,400 respectively.

NOTE 5 - SHAREHOLDERS' EQUITY.

At March 31, 2007 the Company holds 1,126,198 treasury shares at an average purchase cost of $1.27.

NOTE 6 - SHARE BASED PAYMENTS.

Effective January 1, 2006, the Company adopted FASB Statement of Financial Accounting Standards No. 123R (Revised 2004), Share-Based Payment, which requires that the compensation cost relating to share-based payment transactions be recognized in financial statements based on the provisions of SFAS 123 issued in 1995. We have adopted this statement using the modified prospective method of implementation, whereby the prospective method records the compensation expense from the implementation date forward, but leaves prior periods unchanged.

The Company recorded approximately $14,000 in compensation expense in the period ended March 31, 2007 related to options issued under its stock-based incentive compensation plans. This includes expense related to both options issued in the current year and options issued in prior years for which the requisite service period for those options includes the current year. The fair value of these options was calculated using the Black-Scholes options pricing model. For options issued in 2006, the following assumptions were used: dividend yield of 10%, expected volatility of 68%, risk free interest rates of 5.0% and an expected life of 7 years. There were no options issued in the three month period ended March 31, 2007.

NOTE 7 - EARNINGS (LOSS) PER SHARE.

A reconciliation of basic to diluted earnings per share is as follows:

Three months ended March 31,	2007 Basic	2007 Diluted	
Numerator:			
Net income (loss)	$ 358,140	$ 358,140	$
Denominator:			
Weighted average shares outstanding	10,955,719	10,955,719	1
Effect of dilutive securities:			
Preferred stock	---	---	
Stock options and warrants	---	222,804	
Weighted average shares outstanding	10,955,719	11,178,523	1
Earnings (loss) per share	$ 0.033	$ 0.032	$

NOTE 8 - COMPREHENSIVE INCOME.

The Company has adopted Financial Accounting Standards Board Statement No. 130, Reporting Comprehensive Income. Statement No. 130 establishes new rules for the reporting and display of comprehensive income and its components; however, the adoption of this Statement has no impact on net income or shareholders' equity. Statement No. 130 requires unrealized gains or losses to be included in other comprehensive income.

The components of comprehensive income for the quarters ended March 31, 2007 and 2006, are as follows:

2007

Net income	$358,140	$
Other comprehensive income		
Net unrealized gain	$ 33	$
Total comprehensive income	$358,173	$

NOTE 9 - INCOME TAXES.

The Company recorded approximately $20,000 and $15,000 of state income tax expense, respectively, for the three months ended March 31, 2007 and 2006. The Company does not expect to incur material federal income tax charges until the depletion of its accumulated federal income tax loss carry-forwards, which totaled approximately $6,800,000 at December 31, 2006 that begin expiring in the year 2015.

10

Littlefield Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
March 31, 2007

NOTE 10 - RELATED PARTY TRANSACTIONS.

The President and CEO of the Company had personally guaranteed $300,000 of a note payable to a third party lender, in the original total amount of $540,000. The note was paid in full in May 2005. The Company accrued a total of $61,125 in loan guaranty fees to him in 2002. In 2002, the President was awarded a $300,000 bonus which is presented on the balance sheet with accrued interest as a current Other current liabilities - related party. During the fourth quarter of 2006, the Board unanimously approved repayment of the loan guarantee and interest thereon. The Company accrued $5,063 in interest in 2007 and $6,095 in 2006 on these liabilities.

The Company purchased the President's office furniture and antiques for a total price of $105,650 in July 2002. This amount was set up on a note payable with interest only payments for 4 years at 6.75% with the principal amount due in July 2006 as a balloon payment. During the fourth quarter of 2006, the Board unanimously approved repayment of the office furniture note. During the three months ended March 31, 2006 the President was paid interest in the amount of $1,782.

During 2006, the Company renewed the employment agreement with its President and CEO; in accordance with this agreement, the Company accrued $6,000 and $0 of deferred compensation in the three months ended March 31, 2007 and 2006 respectively.

NOTE 11 - COMMITMENTS AND CONTINGENCIES.

Generally speaking, the Securities and Exchange Commission guidelines require a company to report any pending legal and/or regulatory proceedings that involves a claim for damages in excess of ten percent (10%) of its current assets. The litigation and proceedings discussed below do not necessarily meet this threshold, but are included in the interest of full disclosure. In general, the Company will vigorously defend itself against all claims to the fullest extent possible.

Pondella Hall for Hire, Inc., d/b/a Eight Hundred v. American Bingo and Gaming, Case No. 97-2750, Circuit Court of the Twelfth Judicial Circuit in and for Manatee County, Florida.

800438 Ontario Ltd v. American Bingo and Gaming Corporation, Case No. 99-1161, Circuit Court of the Twelfth Judicial Circuit in and for Manatee County, Florida.

Settled. These two related cases were settled in 2006 and arise from a transaction carried out by a predecessor, American Bingo & Gaming Corporation ("American Bingo"), in July 1995, when American Bingo bought three Florida bingo centers from two corporations owed and controlled by Phillip Furtney. Additionally, American Bingo brought Counterclaims against Pondella and 800438 for fraud, negligent misrepresentation, breach of warranties, contractual indemnity, breach of guaranty, deceptive and unfair trade practices, and violation of Chapter 517 of the Florida Statutes. The company accrued a total of $1,610,000 on its financial statements related to these matters, $1,500,000 on the 2004 financial statements and $110,000 on its 2005 financial statements. In November, 2006 a final decision was reached for the plaintiffs. As a result, the Company recorded an additional $175,000 legal expense in its fourth quarter of 2006. The Company funded the amount paid including certain attorney fees through a bank loan collateralized by certain real estate.

Littlefield Corporation f/k/a/ American Bingo and Gaming v. Philip Furtney, Case No. 2001 CA 4000, Circuit Court of the Twelfth Judicial Circuit in and for Manatee County, Florida.

Littlefield is the Plaintiff in this case which is still pending. As set forth in the previous section, the Company also brought claims against Philip Furtney related to his failure to disclose the existence of the investigation of the Florida Attorney General regarding the bingo halls acquired by American Bingo from the Furtney controlled entities. These claims were dismissed from the original litigation based upon the Company's inability to serve the Complaints on Furtney, a foreign resident, when he refused to voluntarily accept service of the Complaints. This dismissal did not decide or relate to the merits of the claims against Furtney. The Company refiled the Complaints against Furtney in separate litigation and was finally successful in serving Furtney when he appeared in Florida for trial of the Pondella/800438 Ontario cases in January 2005. The Company intends to vigorously pursue its claims against Furtney. The case against Furtney is in discovery. A trial is anticipated in late summer or early fall, 2007.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Amy Ramon, et al v. Clark C. Lilly, et al; Cause No. 2006-535,397 in the 237th District Court of Lubbock County, Texas.

This case is still pending. This proceeding is the result of the consolidation of four separate lawsuits. Littlefield Corporation, Meeks Management Company (sued as Meeks Management Corporation), and Littlefield Charitable Bingo Management Consulting, Inc., (and other non-related parties including the charities) are defendants in this case. The Plaintiffs are six former employees of various charities which conducted bingo games in a bingo hall leased to the charities by Meeks Management Company. Plaintiffs have sued, among others, Littlefield Corporation, and two of its subsidiaries, Meeks Management Company (sued as Meeks Management Corporation) and Littlefield Charitable Bingo Management Consulting, Inc.

The plaintiffs claim that the bingo hall manager sexually harassed them and that they were fired in retaliation for making claims of sexual harassment or otherwise were fired in violation of their rights under nondiscrimination provisions of the Texas Labor Code. The Plaintiffs also assert various tort claims against the defendants under state law, including, but not limited to, claims for negligent hiring, supervision, and retention of the alleged harasser. Plaintiffs allege that the defendants (other than the bingo hall manager), including Littlefield and its named subsidiaries, were their employers and the employers of the accused harasser. All of the plaintiffs claim that Littlefield (and subsidiaries) as well as the charities were their employers and the employers of Clark Lilly (the alleged harasser) and therefore liable for his harassing and other tortuous conduct. Various claims are state law tort claims which are not technically dependent upon the status of Littlefield (or its subsidiaries) as an employer under the state discrimination law. Some of the plaintiffs have also claimed sexual discrimination in compensation. The depositions of some, but not all, of the plaintiffs have been taken. The depositions of most defendants' representatives have been taken.

Littlefield and its named subsidiaries intend to seek a summary judgment soon after the depositions of the defendants are completed on the basis of the lack of an employee-employer relationship with either the plaintiffs or Mr. Lilly. Littlefield and its named subsidiaries intend to vigorously defend this case because the plaintiffs and the alleged harasser were not their employees. Trial is scheduled for October 15, 2007.

South Carolina Department of Revenue v. Littlefield Corporation, Midlands Promotions, Inc., Low Country Promotions, Inc., Gamecock Promotions, Inc., H. F. Help, Inc., United Black Fund of Midlands, Berkeley County SPCA, S.C. Battleground Pres. Trust, Charleston County FOP, Coastal Carolina FOP Lodge #12, Humane Net Inc., Gamecock Promotions, Fraternal Order of Police Lodge #19; Hejaz Shrine Temple, Pet Helpers, Inc., Cannon Street YMCA and Low Country Food Bank, 05- ALJ-17-0413-CC

The South Carolina Department of Revenue issued an administrative bingo violation against the above referenced parties alleging that the Company has an unlawful number of bingo promoter licenses. The Department of Revenue seeks to revoke all but 5 bingo promoter licenses held by the Company's South Carolina subsidiaries and seeks a $5,000.00 penalty. The Department of Revenue has moved to pierce the corporate veil of the Company to thereby attribute the promoter licenses to the Company. The Department of Revenue's theory is that the three South Carolina subsidiaries are invalid corporations and that as a matter of law the Company is the holder of the 12 promoter licenses at issue. South Carolina law provides that a promoter may only have 5 licenses. The Company moved for summary judgment and it was denied. However, the named charities were dismissed from the lawsuit. The case has been stayed until co-counsel returns from active military duty, which is expected to occur around August of 2008. The Company is vigorously defending itself and asserts that it is not the holder of the promoter licenses but rather that its lawfully formed subsidiaries are separate corporations that each holds a lawful number of the promoter licenses.

Lenrich Associates LLC v. Littlefield Corporation, et al; Civil Action No. 00-CP-10-4742, South Carolina Court of Common Pleas, County of Charleston.

Settled. Lenrich Associates brought this action against the Company based on a commercial lease guaranty that was signed by the Company. A settlement agreement had been reached for $147,500, which has been accrued for by the Company in June 2002. However, the plaintiff withdrew their support of the settlement agreement shortly thereafter. Effective January 1, 2006 a settlement was reached between the two parties in which Littlefield will pay a sum of $500,000. The Company accrued for the remaining balance of approximately $353,000 in the 2005 financial statements. A payment was made in one lump sum payment of $250,000 on January 3, 2006 plus additional payments in the amount of $10,000 a month through January 5, 2008. At March 31, 2007 the Company had a $90,000 remaining balance.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Collins Entertainment Corp. v. Coats and Coats Rental Amusement, d/b/a Ponderosa Bingo and Shipwatch Bingo, Wayne Coats, individually, and American Bingo & Gaming Corp., Civil Action No. 97-CP-10-4685.

Settled. Subsequent to the filing of the Company's petition for a writ of certiorari with the United States Supreme Court, the matter was settled on August 25, 2006. At the time of settlement, the judgment against the Company, including principal and interest, totaled $2,792,033. The total settlement reached included an initial payment of $1,025,000 due upon execution of the settlement agreement plus 46 consecutive monthly payments of $25,000 commencing October 1, 2006, for a total settlement of $2,175,000 over the 46 month period. In the event of a default of payment of the remaining amounts due, the original judgment amount less amounts previously paid shall be due and payable. In recognition of the present value of the settlement, the Company, in its third quarter of 2006, recorded an additional $184,000 in legal expense in addition to previously recognized legal expense of $1,727,000 in prior years. The carrying amount of the settlement liability outstanding as of March 31, 2007 was $753,657 with 38 remaining payments. The Company withdrew the petition to the United States Supreme Court and will receive a full release of all claims and a satisfaction of the judgment upon the record when payments are completed.

NOTE 12 - SEGMENTS.

The Company's Chief Operating Decision Maker ("CODM"), the President and CEO, evaluates performance and allocates resources based on a measure of segment profit or loss from operations. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies except that depreciation and amortization are allocated to each segment from functional department totals based on certain assumptions which include, among other things, revenues. Also, the Company's CODM does not view segment results below gross profit (loss), therefore, corporate overhead including general and administrative expenses, net interest income, other income, and the provision for income taxes are not broken out by segment below.

The entertainment segment encompasses charitable bingo hall operations in Texas, Alabama, and South Carolina. The hospitality segment includes income from party and tent rentals, catering services and event planning fees. These segments were identified based on the different nature of the services and legislative monitoring and, in general, the type of customers for those services.

A summary of the segment financial information reported to the CODM is as follows:

March 31, 2007

	Entertainment	Hospitality	A
Revenue	$ 2,334,000	$1,143,000	$
Depreciation and Amortization	98,000	58,000	
Segment profit (loss)	1,244,000	(141,000)	
Segment Assets	25,793,000	1,360,000	(

March 31, 2006

	Entertainment	Hospitality	A
Revenue	$ 2,172,000	$ 701,000	$
Depreciation and Amortization	102,000	61,000	
Segment profit (loss)	1,075,000	(247,000)	
Segment Assets	23,626,000	1,296,000	

The adjustments represent other corporate expenses, other income, depreciation and amortization related to corporate assets, corporate gains and losses on disposition of assets, and corporate capital expenditures to reconcile segment balances to consolidated balances.

13

Littlefield Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007

NOTE 13 - SUBSEQUENT EVENTS.

In March 2007, the Company received a commitment to refinance its obligations related to certain legal settlements through a bank note payable. The note bears interest at prime plus one-half percent (0.5%), contains certain loan covenants and is secured by certain real estate. The Company plans to use its restricted cash in conjunction with the bank refinancing to payoff an existing bank note and remove an existing lien position. The Company completed the refinancing in May 2007.

14

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

During the first quarter of 2007, we continued to improve revenue and profitability in our Entertainment and Hospitality segments. These improvements were partially offset by certain increases in General and Administrative expenses. First quarter 2007 earnings included approximately $124,000 of notable items: $75,000 related to business development expenses associated with opening a new market, $35,000 for legal expenses and $14,000 of non-cash expenses related to stock-based compensation. First quarter 2006 earnings included approximately $25,000 of non-cash expenses related to stock-based compensation offset by $38,000 from insurance proceeds and fixed asset sales.

Revenues

The following table sets forth the Company's revenues by segment for the three months ended March 31, 2007 and 2006:

	2007	2006
Total Revenues	$3,489,000	$2,919,
Entertainment	2,334,000	2,172,
Texas	1,379,000	1,171,
South Carolina	499,000	486,
Alabama	456,000	515,
Hospitality	$1,143,000	$ 701,

First quarter 2007 total revenues for the Company increased 20% over 2006 with both Entertainment and Hospitality segments contributing to the increase in revenue. Entertainment revenue rose 7% with Texas being the most significant contributor. Alabama operations continued to be affected by competition in the form of casinos on the Indian Reservations and electronic gaming machines at a horse race track in the adjoining counties. The Entertainment segment accounted for 67% of total revenues compared with 74% of total revenues in 2006. By state, Entertainment revenues for Texas, South Carolina and Alabama were 59%, 21%, and 20% of total Entertainment revenue respectively compared to 54%, 22% and 24% in 2006. Hospitality revenue increased 63% over the prior year reflecting the contribution of larger customers and events. Hospitality accounted for 33% of total revenues in 2007, compared to 24% of total revenues in 2006.

Costs and Expenses

Cost of services increased 16% over the prior year's first quarter. This, in conjunction with the higher revenue growth of 20%, resulted in an improvement of gross profit percent (gross profit as a percent of sales) to 31.9% from 30.0% in 2006. Overall, total gross profit increased 27% or $240,000 over the prior year. The table below summarizes gross profit by segment for the three months ended March 31, 2007 and 2006:

	2007	2006
Total Gross Profit	$1,115,000	$ 875,
Entertainment	1,244,000	1,075,
Hospitality	($141,000)	($247,

The increases in gross profit were attributed to higher revenues and management's concentration on cost containment throughout the organization. The Entertainment gross profit as a percent to sales increased to 53.3% versus 49.5% respectively for 2007 and 2006. The 2007 Hospitality gross margin loss was reduced by $106,000.

Direct salaries and other compensation were up 35% over the prior year representing staff additions corresponding to the higher revenues especially in the Hospitality segment. Rent and utilities in 2007 were up approximately 1% over 2006. Other direct operating costs in 2007 were up 22% over the prior year, mainly due to higher food and supplies associated with the increased revenue and higher property taxes at our facilities than occurred in 2006. License expense was down $9,000 as a result of the timing of the payment of licenses. The provision for doubtful accounts was reduced to 0% versus 0.3% of sales last year.

Depreciation and amortization expense totaled approximately $185,000 ($156,000 Cost of Services plus $29,000 G&A) in 2007 versus $188,000 in the prior year.

General and administrative expenses, excluding related depreciation expense and the noted business development and legal fees totaled approximately $469,000 in 2007, compared to approximately $274,000 in 2006, an increase of about $195,000. The increase mainly related to staff additions, compensation adjustments, sundry expenses and the timing of accrued incentive expenses.

15

Other income and expense was an expense of approximately $115,000 for 2007, compared to other income of approximately $13,000 for 2006. The other income in 2006 was mainly from $38,000 of insurance proceeds and fixed asset sales. The remaining expenses were net interest expenses. Interest expense was up approximately $73,000 compared to 2006, reflecting the financing of legal settlements during 2006.

Our income tax expense for 2007 was approximately $20,000 compared to $15,000 in 2006, all of which is related to the expected effective tax rate for state income taxes. The Company currently has a net operating loss available for carryover on its federal income taxes of approximately $6,800,000.

Net Income

During the first quarter of 2007, we realized net income of approximately $358,000; $0.03 per basic and $0.03 per fully diluted share. Net income for 2006 was $549,000; $0.05 per basic and $0.05 per fully diluted share. The weighted average number of basic Common Stock shares outstanding totaled 10,955,719 in 2007 compared to 10,494,921 in 2006. 2006 shares outstanding have been adjusted to reflect the affect of a 20% stock dividend in Q2 2006.

First quarter 2007 earnings included approximately $124,000 of notable items: $75,000 related to business development expenses associated with opening a new market, $35,000 for legal expenses and $14,000 of non-cash expenses related to stock-based compensation.

First quarter 2006 earnings included approximately $25,000 of non-cash expenses related to stock-based compensation offset by $38,000 from insurance proceeds and fixed asset sales.

Adjusted for the noted items above, the adjusted net income was $482,000 and basic earnings per share were $0.04 per share in 2007 versus an adjusted net income of $536,000 and basic earnings per share of $0.05 last year.

Liquidity and Capital Resources

Cash and cash equivalents at March 31, 2007, totaled approximately $3,198,000 and represented 19% of total assets of approximately $16,500,000. Current assets totaled approximately $4,772,000. Current liabilities totaled $1,773,000. Working capital was approximately $2,999,000 with a current ratio of 2.7 to 1 compared to approximately 1:1 in March 2006.

Cash provided by operating activities for the three months ended March 31, 2007, totaled approximately $405,000 compared to cash provided of $405,000 during 2006. Cash flows provided by operating activities in 2007 were increased by net income of approximately $358,000, non-cash depreciation expense of approximately $185,000, stock based compensation of approximately $14,000, offset by other net changes in asset and liability accounts of approximately $152,000.

Net cash used in investing activities totaled approximately $126,000 for capital expenditures during the three months ended March 31, 2007, compared to net cash provided of approximately $1,099,000 in 2006. In 2006, cash was used in the amount of approximately $85,000 for the purchase of capital assets and offset by the collection of a note receivable in the amount of approximately $1,184,000.

Cash provided by financing activities in 2007 totaled approximately $369,000, compared to net cash used in financing activities in 2006 of approximately $53,000. In 2007, approximately $477,000 of financing was obtained through the sale of common stock and $107,000 was used for the payment of notes payable and legal settlement obligations. In 2006, approximately $112,000 of financing was obtained from proceeds from options exercised and the collection of subscription receivable and $165,000 was used for the payment of notes payable and capital lease obligations.

At March 31, 2007, we had approximately $16,500,000 in total assets with total liabilities of approximately $6,375,000 and approximately $10,125,000 of shareholders' equity. Total assets include approximately $3,198,000 in cash, $901,000 of net accounts receivable, other current assets of $240,000, $434,000 of restricted cash, $6,005,000 of net property and equipment, $5,521,000 of intangible assets, and $201,000 of other assets. Total liabilities primarily consist of accounts payable of approximately $109,000, and notes payable obligations of approximately $4,233,000, legal settlement obligations of $844,000 and accrued and related-party liabilities of $1,189,000.

In 2007, we plan to continue to use our cash generated from operations to make leasehold improvements and renovations in our bingo operations. We also plan to use advantageous combinations of bank financing, seller financing, treasury stock, and cash on new bingo hall acquisitions when favorable terms can be obtained.

Item 3. Controls and Procedures

Evaluation of Disclosure Controls

The Company's management evaluated, with the participation of the Chief Executive Officer and Chief Financial Officer, the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Disclosure controls and procedures are designed with the objective of ensuring that (i) information required to be disclosed in the Company's reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) the information is accumulated and communicated to management, including the principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

Based upon their evaluation, our management including the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e) or 15 d - 15(e) under the Securities Exchange Act) are effective, as of the end of the period covered by this report on Form 10-QSB, to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms.

There have been no changes in our internal control over financial reporting during the quarter ended March 31, 2007, that have materially affected or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls

Our management, including our CEO and CFO, does not expect that our disclosure controls or our internal controls over financial reporting will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, but not absolute, assurance that the objectives of a control system are met. Further, any control system reflects limitations on resources, and the benefits of a control system must be considered relative to its costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within Littlefield Corporation have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of a control. A design of a control system is also based upon certain assumptions about potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected.

17

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

For a discussion of material pending legal proceedings, see Note 11 to the unaudited Consolidated Financial Statements included in Part I hereof, which Note 11 is incorporated herein by reference.

Item 6. Exhibits

31.1 Rule 31a-14(a) / 15d-14(a) Certifications

32.1 Section 1350 Certifications

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Littlefield Corporation

May 15, 2007

By:

/s/ JEFFREY L MINCH

Jeffrey L. Minch
President and Chief Executive Officer

/s/ RICHARD S. CHILINSKI

Richard S. Chilinski
Chief Financial Officer